

**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
ENVIRONMENTAL FINANCIAL ADVISORY BOARD**

Follow-up EFAB Letter Regarding Cross-Collateralization

June 25, 1997

Mr. Robert Perciasepe
Assistant Administrator for Water (4101)
Environmental Protection Agency
401 M Street S.W.
Washington, D.C. 20460

Dear Mr. Perciasepe:

We are very pleased to learn that the Office of Water intends to seek a multi-year authorization to capitalize the Clean Water and Drinking Water State Revolving Funds (SRFs), generating average annual assistance at a level of about \$2 billion and \$500 million, respectively. EFAB supports this effort and the goal of providing a greater capitalization source of financial assistance for eligible high-priority water quality and public health projects.

The Board suggests that the EPA capitalization proposal offers an excellent opportunity to clarify, in authorizing and/or appropriation language, the ability for cross-collateralization between the CWA and SDWA Funds. As another way to increase the financial efficiency of the SRFs, including language in the long term capitalization proposal to clarify the ability to cross-collateralize the Funds would support and strengthen the long term capitalization proposal for the SRFs. As you are aware, the Board has a strong belief that EPA should provide the states the option to cross collateralize the Drinking Water and Clean Water Revolving Loan Funds in order to obtain the maximum financial strength available to both programs. To the extent the ability to cross-collateralize the Funds is not clear, the capitalization proposal provides a unique opportunity to provide specific authority for cross-collateralization.

We appreciate the opportunity to assist the Agency to most effectively leverage financial resources available for environmental projects. If you would like to further discuss cross-collateralization, the Board is available to meet at your convenience.

Respectfully submitted,

(signature)

Robert O. Lenna

Chair

U.S. EPA Environmental Financial Advisory Board

(signature)

John C. Wise

Executive Director

U.S. EPA Environmental Financial Advisory Board

cc: Cynthia C. Dougherty (4601)

Michael B. Cook (4201)